Help Elevate Your Practice

Leveraging Outsourcing for Tax Management Services

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Introduction

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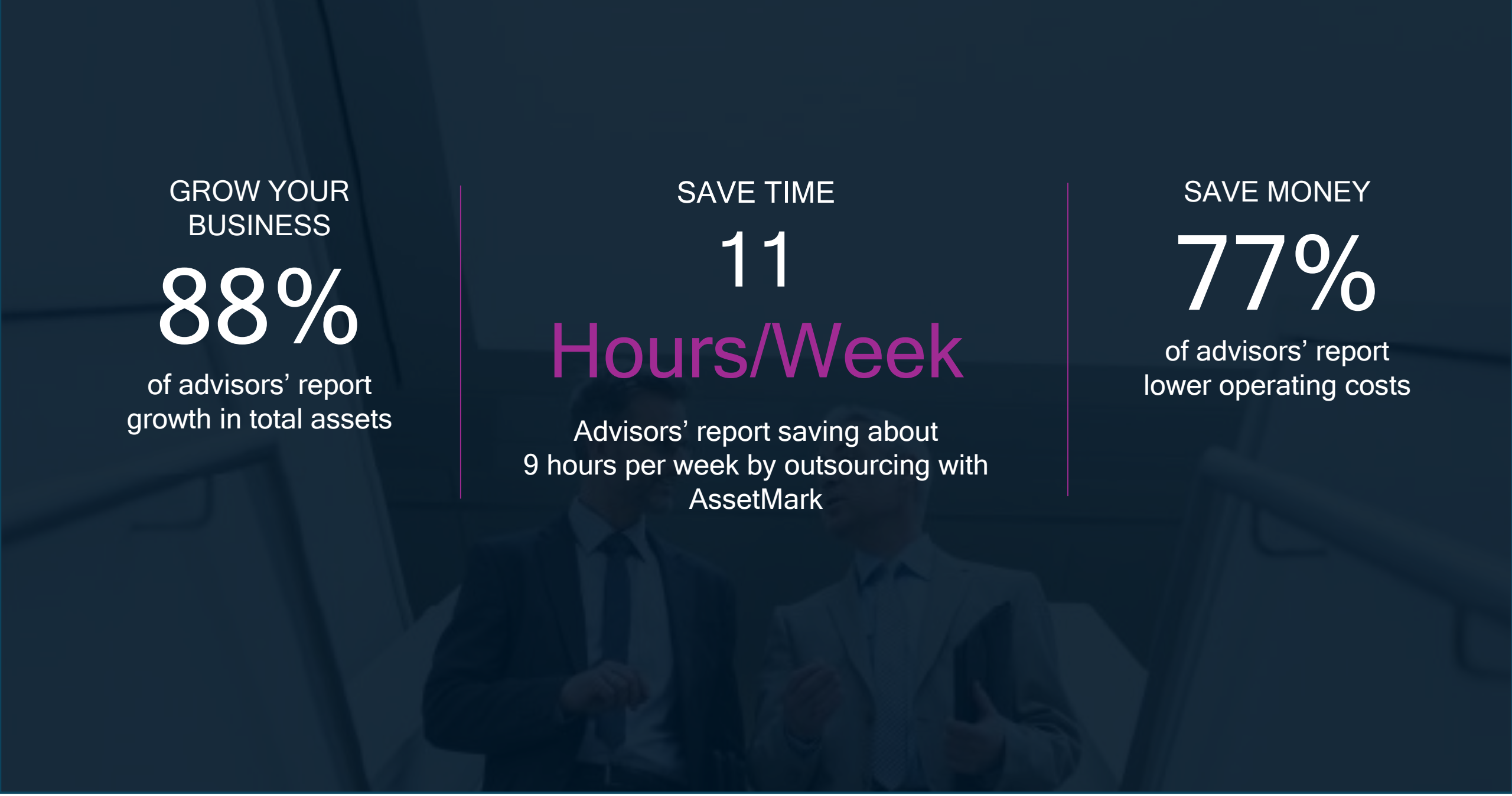
Why Outsource?



GROW YOUR BUSINESS

88%

of advisors' report growth in total assets

SAVE TIME

11

Hours/Week

Advisors' report saving about 9 hours per week by outsourcing with AssetMark

SAVE MONEY

77%

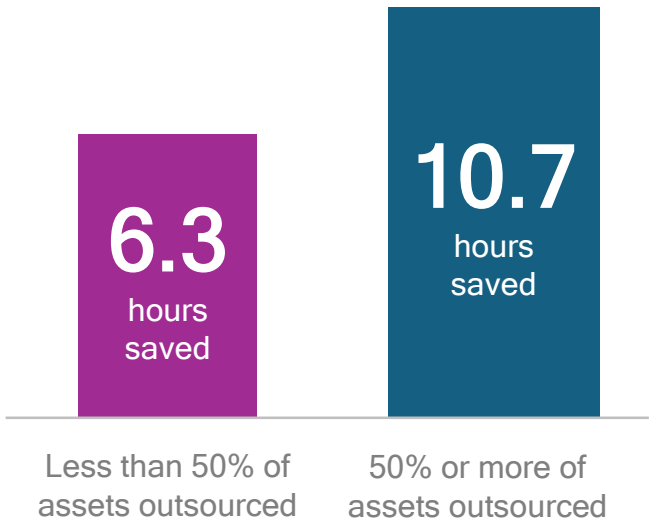
of advisors' report lower operating costs

From Time Trap to **Time Abundance**

Financial advisors save on average **11 hours** per week as a result of outsourcing.

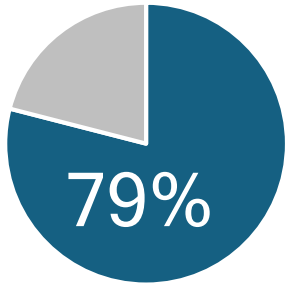
Advisors Save Time…

Hours saved per week



…and So Do Their Staff

79% of advisors say they have **saved staff time** that could be reallocated to other activities



How Do Advisors Spend Newly Gained Time?

CLIENT RELATIONSHIPS

72% of advisors spent more time building client relationships

What Do Advisors Outsource?

The Basics

Strategic business solution providers, generally, offer these services:

- Ongoing due diligence
- Portfolio construction
- Pre-built portfolios for a range of client needs
- Custom portfolios for high-net-worth clients

Additional solutions, services, and resources

- Tax planning resources
- Practice management consulting and services
- Retirement services and transition support
- Financial planning resources
- Estate planning resources

Tax Management is Wealth Management

Tax considerations play a prominent role in most wealth management activities. Clients are looking to their financial advisors for more tax support as they invest taxable assets.

62%
of clients want it

More than half of investors want tax-efficient strategies from their financial advisor.[1]

It can improve outcomes by 1%+

Tax management may improve after-tax returns by over 1%.[2]

Why don't more advisors provide tax management?

- Labor-intensive nature of the task
- Limitations within their current advisor platforms
- Tax can be complicated and difficult to discuss with some clients
- Large minimum investments, typically required for high-net-worth strategies and tax overlays
- Compliance concerns

1. The Cerulli Report | U.S. Retail Investor Products and Platforms *2023.*
2. Shomesh E. Chaudhuri, Terence C. Burnham, and Andrew W. Lo. 2020. "An Empirical Evaluation of Tax-Loss-Harvesting Alpha." Financial Analysts Journal 76:3, 99–108.

Old Ways vs. New Ways of Tax Management Services

TMS Opens the Door to New Opportunities for Advisors

Money in Motion

Prospective clients who are contemplating shifting to a new financial advisor but worried about taxes

Changing Life Circumstances

Life events that shift a client's investing needs and requirements

Tax Sensitive Clients

Clients in higher tax brackets have more need for services and investing approaches that help moderate the impact of taxes

Why Tax Management Services?

Tax Management Services is a comprehensive tax solution that includes:

1. Tax-efficient **transition of assets** from an existing investment strategy into a new investment strategy
2. Ongoing **tax-loss harvesting**
3. Tax-efficient **rebalances**
4. Tax-efficient **client directed activity**

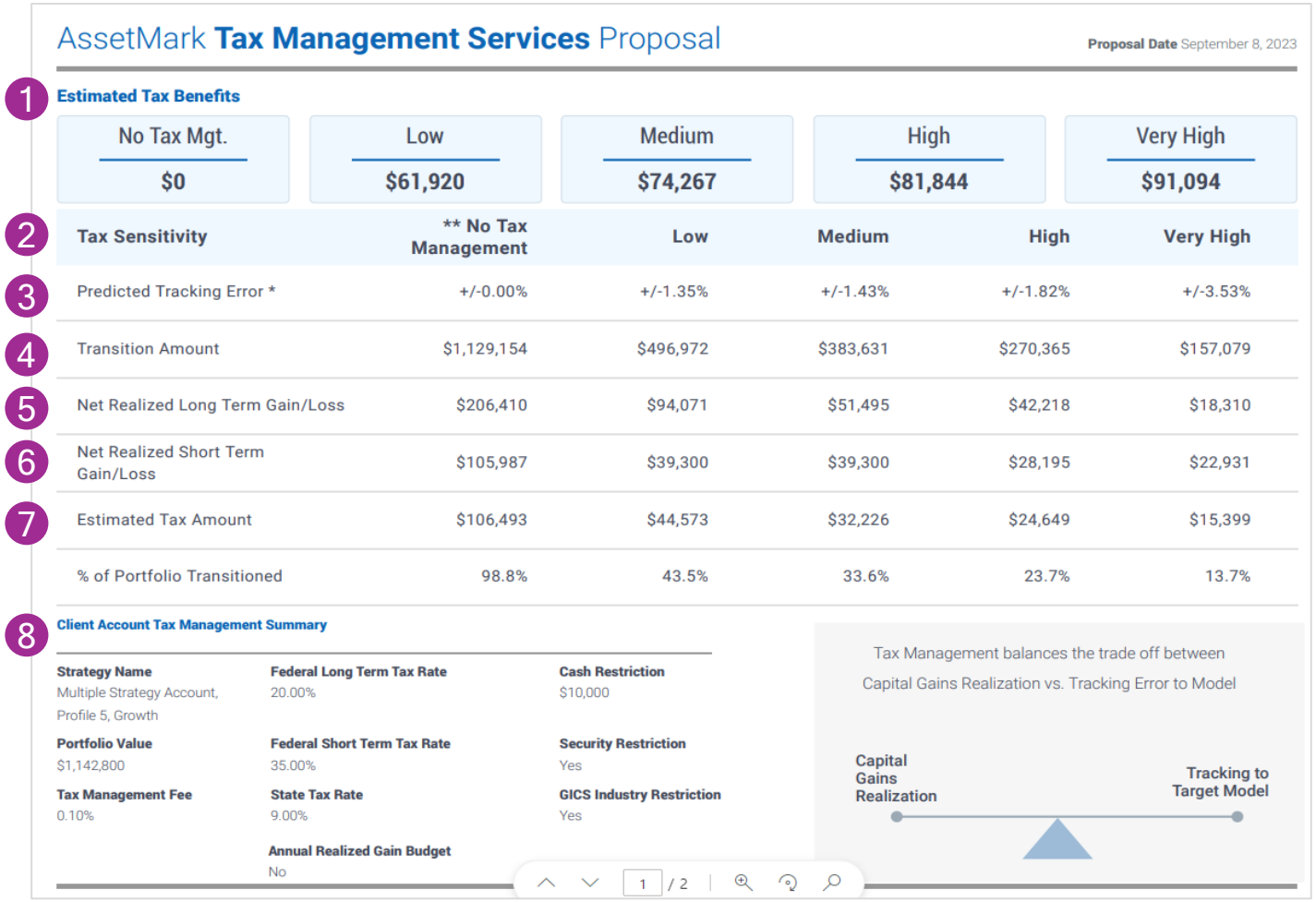
Broaden your tax management service to:

- Clients with smaller account sizes
- Access more investment strategies
- Use strategies with lower investment minimums to expand access

TMS Employs Five Key Tax Management Techniques

Defer Gains
TMS can defer the tax liability of unrealized gains indefinitely by holding the asset and staying invested in the market
Loss Harvesting
TMS reviews accounts daily for loss harvest opportunities, which can be used to offset capital gains
Holding Period Mgmt.
TMS will lock tax lots from trading if they will transition from short-term to long-term in the next 30 days to take advantage of lower, long-term tax rates
Specific Tax Lots
TMS directs specific tax lots when trading to minimize realization of gains
Manage Wash Sales
TMS has controls in place to manage and minimize wash sale occurrences in TMS accounts

Tax Management Services Proposal: Key Outputs with Definitions



AssetMark **Tax Management Services** Proposal

Proposal Date September 8, 2023

1 **Estimated Tax Benefits**

No Tax Mgt.	Low	Medium	High	Very High
$0	$61,920	$74,267	$81,844	$91,094

2 Tax Sensitivity	** No Tax Management	Low	Medium	High	Very High
3 Predicted Tracking Error *	+/-0.00%	+/-1.35%	+/-1.43%	+/-1.82%	+/-3.53%
4 Transition Amount	$1,129,154	$496,972	$383,631	$270,365	$157,079
5 Net Realized Long Term Gain/Loss	$206,410	$94,071	$51,495	$42,218	$18,310
6 Net Realized Short Term Gain/Loss	$105,987	$39,300	$39,300	$28,195	$22,931
7 Estimated Tax Amount	$106,493	$44,573	$32,226	$24,649	$15,399
% of Portfolio Transitioned	98.8%	43.5%	33.6%	23.7%	13.7%

8 **Client Account Tax Management Summary**

Strategy Name
Multiple Strategy Account, Profile 5, Growth

Portfolio Value
$1,142,800

Tax Management Fee
0.10%

Federal Long Term Tax Rate
20.00%

Federal Short Term Tax Rate
35.00%

State Tax Rate
9.00%

Annual Realized Gain Budget
No

Cash Restriction
$10,000

Security Restriction
Yes

GICS Industry Restriction
Yes

Tax Management balances the trade off between Capital Gains Realization vs. Tracking Error to Model

Capital Gains Realization

Tracking to Target Model

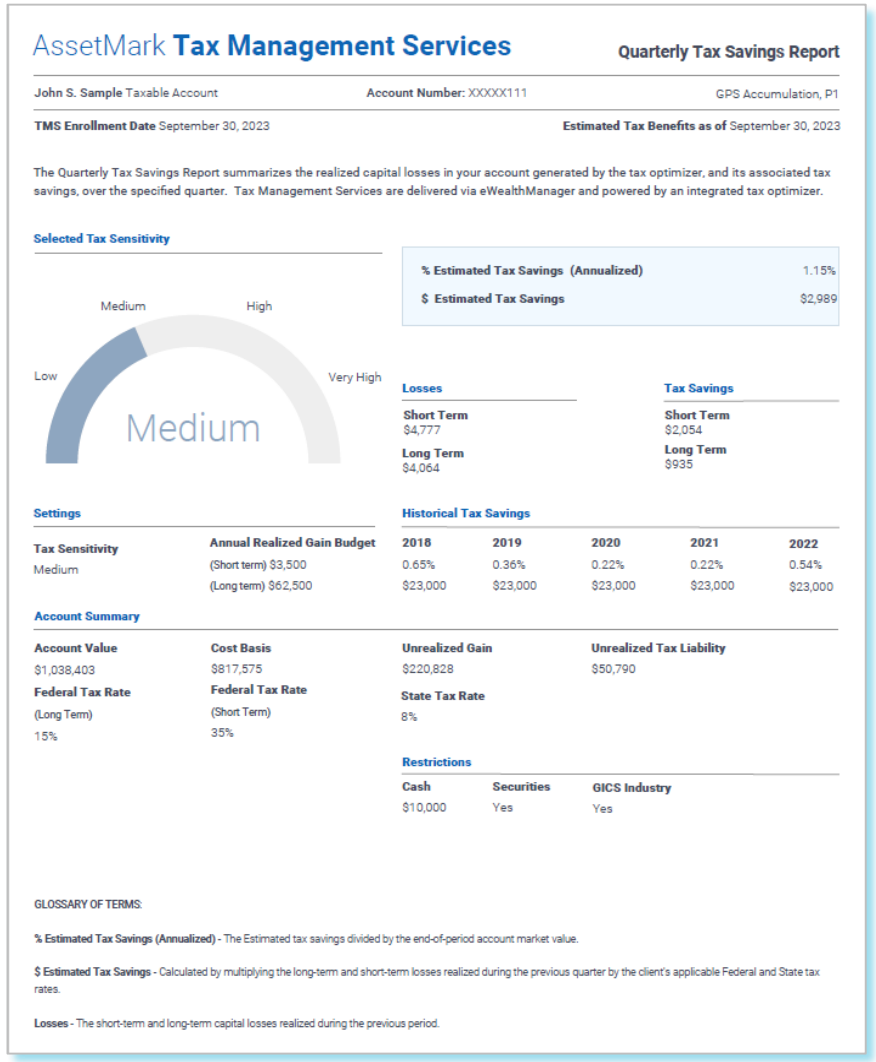
1 / 2

KEY

1. **Estimated Tax Benefits:** Estimated Tax Savings for each tax sensitivity (Low / Medium / High / Very High) relative to full trade to model.
   Product of (LT Gain-Loss * LT Tax Rate)+(ST Gain-Loss * ST Tax Rate)
2. **Tax Sensitivity:** Projected results for various tax sensitivities grouped under these headers (No TMS to Very High).
3. **Predicted Tracking Error:** Estimates how closely the account performance is expected to align relative to its target portfolio based on current holdings and inputs.
4. **Transition Amount:** Assets expected to move from the current portfolio to target model in initial TMS trade *(varies by sensitivity and amounts calculated by Optimizer).*
5. **Net Realized Long Term Gain/Loss:** Estimated total net long term gain/loss realized for the initial TMS trade *(results provided via Optimizer).*
6. **Net Realized Short Term Gain/Loss:** Estimated total net short term gain/loss realized for the initial TMS trade *(results provided via Optimizer).*
7. **Estimated Tax Amount:** Estimated tax liability resulting from initial TMS trade using Federal & State tax rates provided.
8. **Client Account TMS Summary:** Reflects TMS configurations and constraints.

Ongoing Tax Savings Reports Illustrate the Benefits to Clients

- **Show** short-term and long-term tax savings and tax-loss harvesting losses, and historical tax benefits
- **Review** tax assumptions as client circumstances change over time
- **Control** reporting access for clients



AssetMark **Tax Management Services**

Quarterly Tax Savings Report

John S. Sample Taxable Account | **Account Number:** XXXXX111 | GPS Accumulation, P1

TMS Enrollment Date September 30, 2023 | **Estimated Tax Benefits as of** September 30, 2023

The Quarterly Tax Savings Report summarizes the realized capital losses in your account generated by the tax optimizer, and its associated tax savings, over the specified quarter. Tax Management Services are delivered via eWealthManager and powered by an integrated tax optimizer.

Selected Tax Sensitivity

Low | Medium | High | Very High

Medium

% Estimated Tax Savings (Annualized)	1.15%
$ Estimated Tax Savings	$2,989

Losses

Short Term $4,777

Long Term $4,064

Tax Savings

Short Term $2,054

Long Term $935

Settings

Tax Sensitivity Medium

Annual Realized Gain Budget (Short term) $3,500 (Long term) $62,500

Historical Tax Savings

2018	2019	2020	2021	2022
0.65%	0.36%	0.22%	0.22%	0.54%
$23,000	$23,000	$23,000	$23,000	$23,000

Account Summary

Account Value $1,038,403

Cost Basis $817,575

Unrealized Gain $220,828

Unrealized Tax Liability $50,790

Federal Tax Rate (Long Term) 15%

Federal Tax Rate (Short Term) 35%

State Tax Rate 8%

Restrictions

Cash	Securities	GICS Industry
$10,000	Yes	Yes

GLOSSARY OF TERMS:

% Estimated Tax Savings (Annualized) - The Estimated tax savings divided by the end-of-period account market value.

$ Estimated Tax Savings - Calculated by multiplying the long-term and short-term losses realized during the previous quarter by the client's applicable Federal and State tax rates.

Losses - The short-term and long-term capital losses realized during the previous period.

For illustrative purposes only.

Use Case: Acquire New Taxable Assets

Client goal Your client or prospect wants to switch advisors but is worried about the tax burdens of moving taxable investments

Solution TMS allows you and your prospect / client to customize a tax-efficient transition plan based on their risk tolerance, tax sensitivity, and personal circumstances

Result By reducing the near-term impact of capital gains taxes that result from liquidating legacy positions, TMS helps you compete for and win more taxable assets. Clients can have more of their money managed in one place, by someone who takes their overall tax situation and asset location into account when making investment decisions

Use Case: Offer Tax-Sensitive Clients a Better Outcome

Client goal Your client is sensitive to taxes and wants to invest tax-efficiently

Solution TMS enables tax-loss harvesting, tax-efficient rebalancing and trading, and reinvests the tax savings that can give your client better investment outcomes

Result You can make portfolio change decisions easier as tax-efficiently trading out of holdings and buying into new holdings may lessen short-term tax liabilities.

Use Case: Expand Tax-Efficient Outcomes to Clients with Smaller Account Balances

Client goal	Clients with smaller accounts want to take advantage of tax-efficient transitions, trading, rebalancing and tax-loss harvesting
Solution	Investment solutions within TMS span minimum investment size, some starting at $10,000, far lower than the typical $100,000 needed for tax managed accounts
Result	You can offer smaller clients the same tax-efficient benefits as your larger clients, without spending more time on smaller accounts. TMS' automated platform proactively manages accounts on an ongoing basis

Discussion

Disclosures

Important Information

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Investing involves risk, including the possible loss of principal. Past performance does not guarantee future results.

Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio. No investment strategy, such as asset allocation, can guarantee a profit or protect against loss. Actual client results will vary based on investment selection, timing, market conditions, and tax situation. It is not possible to invest directly in an index. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. Index performance assumes the reinvestment of dividends.

For more complete information about the various investment solutions available, including the investment objectives, risks and fees, please refer to the Disclosure Brochure and applicable Fund Prospectus. Please read them carefully before investing. For a copy, please contact AssetMark.

The Tax Management Services (TMS) is designed to improve the after-tax return for the client's account, consistent with the risk/return profile of the investment models based on the selected tax sensitivity. TMS may cause the account to deviate from the investment models and can affect the risk profile and performance of the account. A higher tax sensitivity account setting can have a higher deviation from the investment models than a lower tax sensitivity. Adding TMS customizations to the account can impact the account's tax and investment results. Tax analysis proposal reports may vary over time. Actual tax management results are subject to change based on investment holdings, market conditions, timing, and other factors. Securities may be partially traded or not traded due to market movements and illiquidity, rebalancing, client activity, and other factors. The account may be invested in non-model securities intended to approximate the target investment models. AssetMark, at its discretion, will determine when to take tax management actions based on any client restrictions or other instructions, such as client withdrawals. The timing of trading in TMS accounts may differ from non-TMS accounts. If an investment strategy is closed, the closed strategy may no longer be TMS-eligible; and AssetMark may provide an alternative TMS-eligible strategy.

The tax savings report is not a replacement for other tax reports for tax filing purposes. Investors seeking more information should contact their financial advisor.

Quote Sources

As part of an independent nationwide survey on outsourcing investment management, financial advisors provided their reflections on outsourcing. Views expressed are those of the financial advisor participants and do not necessarily reflect the views of AssetMark.

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